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AGENDA ITEM 4a

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Adoption of Glossary Terms –
Credit Accommodation
Credit Enhancement”
- II. PROGRAM:** Total Fund
- III. RECOMMENDATION:** Approve the Adoption of Glossary Terms “Credit
Accommodation” and “Credit Enhancement”

IV. ANALYSIS:

On December 9, 2005 the Policy Subcommittee approved Staff’s recommendation to establish a limit of 25% of the Real Estate target allocation on recourse debt and other credit accommodations which carry a CalPERS guarantee and to change the term in the policy from credit “enhancement” to credit “accommodation” in order to distinguish the Fixed Income Unit’s use of the guarantee from the use in the Real Estate Unit.

Staff is presenting the definitions of Credit Enhancement and Credit Accommodation for adoption into the Glossary (Attachment 1). The definitions were established in consultation with Fixed Income staff, Real Estate staff, CalPERS’ Legal Office, and the Board’s outside consultants (Wilshire and PCA).

Staff will be available to respond to any questions of the Committee.

V. STRATEGIC PLAN:

This item supports Goal IX to achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

The definitions will clarify the term Credit Enhancement from Credit Accommodation to differentiate the use in the Real Estate Unit from that in the Fixed Income Unit which has a separate program providing third party credit guarantees.

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